

## EXEMPTIONS FOR INTERNET DROP-OFF STORES

Mitchell Bean, Director  
Phone: (517) 373-8080  
<http://www.house.mi.gov/hfa>

**House Bill 5955 (Substitute H-1)**  
**Sponsor: Rep. Dave Hildenbrand**

**House Bill 5957 (Substitute H-1)**  
**Sponsor: Rep. David Palsrok**

**House Bill 5956 (Substitute H-1)**  
**Sponsor: Rep. Ed Clemente**

**House Bill 5958 (Substitute H-1)**  
**Sponsor: Rep. Michael Nofs**

**Committee: Energy and Technology**  
**Complete to 5-4-06**

### A SUMMARY OF HOUSE BILLS 5955-5958 AS REPORTED FROM COMMITTEE

Generally speaking, the bills would exempt an "Internet drop-off store" from being governed by four separate acts dealing with pawnbrokers, second hand goods dealers, and precious metal and gem dealers. The bills would similarly exempt "a person engaged in the sale, purchase, consignment, or trade of personal property or other valuable thing for himself or herself."

Two of the bills, those dealing with second hand dealers and junk dealers, would also be amended to clarify that they do not apply to "scrap processors."

An **Internet drop-off store** would be defined to refer to a person, corporation, or firm that contracts with others to offer its personal property or other valuable things for sale, purchase, consignment, or trade through means of an Internet website and who meets the following conditions

\*\* Has a fixed place of business within this state (except that he or she exclusively transacts all purchases or sales by means of the Internet and the purchases and sales are not physically transacted on the premises of that fixed place of business).

\*\* Has the personal property or other valuables available on a website for viewing by photograph (if available) by the general public at no charge. The website would have to be searchable by zip code and/or by state, and the website viewing would have to include serial number, make, model, and other unique identifying marks, numbers, names, or letters appearing on the item (as applicable).

\*\* Maintains records of the sale, purchase, consignment, or trade of items for at least two years. The records would have to contain a description, photograph (if available), and identifying information as listed earlier.

\*\* Provide the local police agency with any name under which it conducts business on the website; access to the business premises during normal business hours for inspections; and, within 24 hours of a transaction, an electronic copy of the seller's or

consignor's name, address, telephone number, driver license number and issuing state, and description of the property.

\*\* Provide that payment be executed by means of check or other electronic payment system (but not cash).

\*\* Immediately remove property from the website and notify the local police agency upon learning it is stolen.

House Bill 5955 would amend Public Act 273 of 1917 (MCL 446.201 and 203), which deals with regulating and licensing pawnbrokers by local units of government.

House Bill 5956 would amend Public Act 231 of 1945 (MCL 445.471 and 476), which regulates pawnbrokers, second hand dealers, and junk dealers. This bill also contains an exemption for scrap processors defined as a firm *using machinery and equipment at a fixed location and whose principal business is the processing and manufacturing of iron, steel, nonferrous metals, paper, plastic, or glass, into prepared grades of products suitable for consumption by recycling mills and foundries.*

House Bill 5957 would amend Public Act 350 of 1917 (MCL 445.401 and 403), which provides for local regulation of second hand dealers and junk dealers. This bill also contains an exemption for scrap processors.

House Bill 5958 would amend the Precious Metal and Gem Dealer Act (MCL 445.482 and 483).

The bills are all tie-barred to one another, meaning that for one to take effect, all must be enacted.

## **BACKGROUND INFORMATION:**

Internet Drop-off stores constitute a new and growing service industry. They are independent firms that sell personal goods for others on the Internet, notably through e-Bay. Reportedly, the businesses list, photograph, sell, package, and ship products for their customers. Some even sort personal items at the homes of the owners of the personal goods to be auctioned online. The aim of the bills in the package is to prevent these enterprises from being treated under state and local regulations as second hand stores or junk dealers. The bills do not allow drop-off stores to physically engage in sales transactions on the premises of the firm's fixed place of business (although they must have a fixed place of business in the state).

## **FISCAL IMPACT:**

There is no significant fiscal impact on the State of Michigan or its local units of government. There is a possible loss of fee revenue to the State and local units of

government, but there is no evidence to suggest trading assistants, as defined in these bills, pay such fees currently.

**POSITIONS:**

The Department of Labor and Economic Growth indicated support for the bills. (4-26-06)

e-Bay, Inc. testified in support of the bills. (4-26-06)

The Institute of Scrap Recycling Industries supports the bills. (5-3-06)

The Michigan Sheriffs Association indicated support for the bills. (4-26-06)

Legislative Analyst: Chris Couch  
Fiscal Analyst: Richard Child

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■ This analysis was prepared by nonpartisan House staff for use by House members in their deliberations, and does not constitute an official statement of legislative intent.